

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-13 ISO-00 FEA-01 AGR-05 CEA-01
CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 EPG-02 AID-05
SS-15 STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02
OMB-01 XMB-02 /108 W

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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 3787

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USMTN ALSO FOR USMISSION

MISSION PASS TO SMITH AND PHELAN

E.O. 11652: N/A

TAGS: ETRD, GATT, CA

SUBJECT: USDEL REPORT ON ARTICLE XIX CONSULTATIONS,
WITH CANADA ON TEXTILE RESTRICTIONS

1. U.S. AND CANADIAN DELS MET JUNE 9 IN OTTAWA FOR
FURTHER CONSULTATIONS UNDER ARTICLE XIX

2. CANDEL (ARTHUR) REITERATED WELL-KNOWN CANADIAN POSITION
ON QUESTION OF COMPENSATION FOR ARTICLE XIX ACTIONS (I.E.
THAT THERE IS NO LEGAL REQUIREMENT FOR COMPENSATION WHEN
ACTION IS JUSTIFIED UNDER ARTICLE XIX CRITERIA) BUT
INDICATED THAT GOC POSITION NEVERTHELESS REMAINS FLEXIBLE
IN SEEKING PRAGMATIC SOLUTION. SAID CANADIAN OFFICIALS
NOW HAVE TO PRESENT FOR MINISTERIAL CONSIDERATION OPTIONS
AVAILABLE TO CANADA IN VIEW OF U.S. POSITION ON COMPENSATION
OR RETALIATION (OUTLINED IN TPSC DOCUMENT 77-37) AND BEFORE
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DOING SO NEED CLARIFICATION OF BASIS FOR U.S. POSITION IN
TERMS OF ACTUAL TRADE IMPACT OF CANADIAN RESTRICTIONS.
CANDEL REFUSED TO BE DRAWN OUT INTO DISCUSSION OF U.S.
PROPOSED COMPENSATION OPTIONS AND INSTEAD ATTEMPTED TO
FOCUS ON RETALIATION LIST. THEY ASKED ABOUT BASIS FOR USG
CALCULATIONS REFLECTED IN RETALIATION LIST, EMPHASIZED
THAT VARIOUS ARTICLE XIX ACTIONS MUST BE TREATED SEPARATELY,

EXPRESSED SURPRISE AT "PUNITIVE" NATURE OF U.S. RETALIATION LIST, AND SUGGESTED U.S. WAS ACTING HASTILY GIVEN LACK OF DEMONSTRATED INJURY TO U.S. EXPORTS AS A RESULT OF RESTRICTIONS. EXTAFF MEMBER OF CANDEL (SHANNON) SUGGESTED RETALIATION WOULD HAVE VERY ADVERSE EFFECTS ON EMPLOYMENT IN POLITICALLY-TROUBLED REGION.

3. U.S. DEL (LEARY) AFFIRMED USG POSITION THAT GOC ACTIONS HAD IMPAIRED CONCESSIONS, THAT USG SEES NEED FOR

COMPENSATION AS ELEMENT OF "AGREEMENT" UNDER ARTICLE XIX, AND THAT USG PREFERS COMPENSATION RATHER THAN RETALIATION AS MEANS-- OF RESTORING BALANCE OF CONCESSIONS UPSET BY CANADIAN ACTIONS. SAID U.S. HAD HOPED CONSULTATIONS WOULD PROVIDE OPPORTUNITY FOR GOC TO RESPOND TO U.S. PROPOSALS ON COMPENSATION, INCLUDING ANY ALTERNATE OFFERS GOC MIGHT WISH TO PUT FORWARD, RATHER THAN ON RETALIATION LIST WHICH USG WOULD NOT HAVE TO USE IF ADEQUATE COMPENSATION FORTHCOMING. U.S. DEL RESISTED CANDEL'S EFFORTS TO ENGAGE IN DETAILED DISCUSSION OF NUMBERS UNDERLYING U.S. LISTS AND TOOK POSITION IT NOT NECESSARY FOR U.S. TO DEMONSTRATE "INJURY," WHICH CANDEL CONTENTED HAD BEEN INSIGNIFICANT IN PRACTICAL TERMS. EXPRESSED SURPRISE THAT GOC COULD THINK U.S. IS ACTING IN HASTE SINCE CONSULTATIONS HAVE BEEN UNDERWAY FOR SEVERAL MONTHS BUT WE HAD HAD NOTHING BUT SILENCE FROM GOC ON OUR PROPOSALS.

4. CANDEL UNDERTOOK TO SEEK MINISTERIAL GUIDANCE AS EXPEDITIOUSLY AS POSSIBLE AND ASKED THAT USG ALLOW LIMITED OFFICIAL USE

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REASONABLE TIME FOR THIS PROCESS. U.S. DEL TOOK NOTE OF CANADIAN REQUEST. ALTHOUGH NOT ABLE TO SPECIFY DEADLINE IN TERMS OF "HOURS OR DAYS," SAID USG WOULD HAVE TO PROCEED PROMPTLY. TWO SIDES AGREED TO KEEP IN TOUCH ON PROGRESS OF DECISION-MAKING.

5. COMMENT: ON BASIS THIS CONSULTATION AND SIDE REMARKS BY GOC OFFICIALS IT SEEMS LIKELY THAT OPTIONS TO BE PRESENTED TO GOC MINISTERS WILL INCLUDE:

-- TOKEN COMPENSATION, I.E. PROVIDE COMPENSATORY CONCESSIONS NOT BECAUSE THEY ARE DUE UNDER PROVISIONS OF ARTICLE XIX, BUT TO AVOID CONFRONTATION WITH U.S. ON THIS ISSUE WHICH WOULD AFFECT TRADE RELATIONS IN OTHER AREAS AND TO AVOID POLITICAL PROBLEMS WHICH WOULD ENSUE IF U.S. IMPLEMENTED RETALIATION PROPOSAL OR

-- REFUSE COMPENSATION AND FOLLOWING RETALIATION, IF RETALIATION WERE NOT DISAPPROVED BY GATT CONTRACTING

PARTIES, INITIATE ARTICLE XXIII PROCEEDINGS.

EMBASSY BELIEVES THAT LATTER OPTION WILL APPEAR VERY
UNPALATABLE TO MINISTERS AND IN FACT PROBABLY UNACCEPTABLE
BECAUSE OF DAMAGE APPLICATION OF COLUMN 2 RATES WOULD DO
TO CANADIAN TEXTILE EXPORTS. WE WOULD NOT BE SURPRISED
IF GOC DECIDES TO ESCALATE ISSUE TO HIGHER POLICY LEVEL.
ENDERS

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Message Attributes

Automatic Decaptioning: X
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Current Classification: UNCLASSIFIED
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Control Number: n/a
Copy: SINGLE
Sent Date: 10-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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Disposition Remarks:
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Executive Order: N/A
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Format: TEL
From: OTTAWA
Handling Restrictions: n/a
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